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# University of Montana

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## MEDIA RELEASE

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### STATE COAL INDUSTRY PROJECTIONS PROVE TOO OPTIMISTIC

MISSOULA--

Montana's coal industry grew rapidly during the 1970s, and economic forecasts made during that decade optimistically projected more growth for the industry. But according to a recently published article by a University of Montana research office, the state's coal industry now isn't nearly so prosperous as many predicted it would be.

The article, published by the UM Bureau of Business and Economic Research in the summer issue of the Montana Business Quarterly, profiles the Montana coal industry and places it in perspective with other state industries.

Bureau researcher Paul E. Polzin said in the article that although coal production increased dramatically in Montana during the 1970s, production has declined since 1980. Output in 1980 amounted to 30.0 million tons, dropping to 28.7 million tons in 1983.

He attributed the decline to several factors. A moderating growth in demand for electricity throughout the United States means less Montana coal is needed to generate power, he said. In addition, stricter air pollution standards in effect nationwide reduce the demand for Montana's low-sulfur coal.

Polzin also pointed out that proposals for synthetic fuel plants, which produce natural gas by burning large quantities of coal and were suggested in the "energy crunch" days of the 1970s, appear to be on hold.

(over)



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Existing contracts for Montana coal call for production to rise about 6 million tons between 1983 and 1987, from 29 million tons per year to about 35 million tons per year. But Polzin said most of this increase is earmarked for Colstrip 4 and for several long-delayed plants in Michigan for which construction soon will be completed. After 1987, he added, no future increases are called for.

Polzin also said Montana must compete with other states, particularly Wyoming, in marketing its coal. Several major coal contracts are scheduled to expire in the early 1990s, "and the utilities involved may now be evaluating alternative sources of coal."

Polzin listed several events that could affect Montana's coal production in the future. They included a scheduled reduction in Wyoming's coal severance tax; a second railroad serving Wyoming's coal fields plus new mines in Wyoming that would be closer to Midwest markets; and increases in mining and other costs which would be to Montana's disadvantage.

Polzin did add that legislation passed by the recently adjourned Legislature could improve Montana's market standing. The legislation in effect lowered Montana's coal severance tax by one-third for new contracts signed within the next two years.

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